



Hamilton County

BOARD OF COMMISSIONERS

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May 21, 2008

Hamilton County Board of Commissioners
Hon. Mr. Todd Portune –President
Hon. Mr. Pat DeWine
Hon. Mr. David Pepper
138 East Court Street, Room 603
Cincinnati, Ohio 45202

RE: Cincinnati Museum Center – Mid-Term Levy Review 2008
Hamilton County Tax Levy Review Committee (TLRC)

Dear Commissioners,

Following the direction of Mr. Tim Molony, chairperson of the Hamilton County Tax Levy Review Committee, a sub-committee was formed in January 2008 for the purpose of the mid-term review of the Cincinnati Museum Center Levy, which was approved by the electorate in Hamilton County on March 2, 2004.

I would like to thank Mr. Tim Molony and the Board of County Commissioners for my appointment as sub-committee chairperson of Cincinnati Museum Center Mid-Term Levy Review. I am also very appreciative of the time and efforts of fellow sub-committee members Mr. Mark Quarry and Mrs. Virginia Wojtowicz. Together, we have been provided excellent support by Lisa Webb and Paula Knecht of the Hamilton County Office of Budget and Strategic Initiatives.

Through the course of our review, we have been presented with various documents concerning the CMC including

- June 2, 2003 announcement of the desire of the CMC to place a levy on the Spring 2004 ballot
- August 21, 2003 Glaserworks-HAWA Engineering Building Systems Audit Study

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- October 8, 2003 Maximus CMC Performance Review Report
- November 2003 Report of the Hamilton County TLRC concerning the levy request of the CMC.
- June 29, 2005 Resolution Authorizing the Interim County Administrator to Enter into an Agreement with the Cincinnati Museum Center, Inc.
- June 29, 2005 Memorandum of Agreement
- November 9, 2005 Resolution to Advance Funds to the CMC
- November 9, 2005 First Amendment to the Memorandum of Agreement
- June 27, 2006 Second Amendment to the Memorandum of Agreement
- October 4, 2006 Year 07 Budget Recommendations – Cincinnati Museum Center Fund Analysis
- February 14, 2008 CMC response to TLRC Mid-Term Review questions
- March 31, 2008 CMC response to additional questions that the TLRC submitted on March 24, 2008
- April 14, 2008 CMC clarification of responsibility for the maintenance and repair of the Union Terminal

Four members of the Hamilton County TLRC visited the CMC on February 27, 2008 to review improvements that have been made to the building using funds from various sources, including funding from the 2004 CMC levy. The full TLRC met at the county administration building in open session on March 3, 2008 to discuss mid-term reviews of CMC and other TLRC business.

Paid attendance in each of the three museums has increased every fiscal year since the passage of the 2004 levy. The Omnimax theatre did experience a decline in attendance during the past two fiscal years, primarily due to an extended closure for renovations. Omnimax remodeling is now complete and theatre admissions are experiencing an anticipated upward trend. CMC attendance totals for all operations for 2004-05 were 1,094,226, including 74,672 complimentary admissions. CMC totals for 2006-07 were 1,241,175, including 86,857 complimentary admissions.

Other positive revenue trends include a 280% increase in parking revenue since FY 04-05 along with increases in food court sales and facility rentals. Gift shop sales and other vending have been mixed, with fluctuating annual totals during the review period.

Hamilton County levy support was budgeted at \$11,207,712 total for 2005-06-07 and the actual amount received was \$9,750,197. This decrease was due to the CMC not utilizing \$700,000 of budgeted capital during 2007. This amount is currently in the levy fund reserve and will be made available to CMC in the 2009 budget.

CMC operational expenses (not including utility costs) increased 2 ½ % from 2005 to 2006 and increased 6% from 2006 to 2007. Two of the largest operational increases reported were costs associated with exhibits, from \$2,438,371 to \$3,052,843 and interest expenses, from \$215,780 to \$554,139. CMC debt has increased from \$7,943,700 financed at 2.91% (2005) to \$8,453,525 financed at 7.07% (2007). The increase in exhibit expense related to blockbuster exhibits and the cost of building exhibits for other venues. The increase in expense was more than offset by the admission revenue from the blockbuster exhibits and the contract revenue received for building the exhibits. The

expense increase was actually a positive variance as it indicated more revenue producing activity.

The CMC will be making a request for levy funds on the 2009 ballot, as their agreement with the BOCC was for a 2004 levy and for one subsequent levy issue in 2009.

The June 2005 agreement between the BOCC and CMC calls for levy proceeds to be used for specific purposes, including preservation of the building. *"The CMC agrees that preservation and maintenance needs of the property are a priority use of levy funds"*.

In the August 21, 2003 "Building Systems Audit Study" page 2, *parapets are noted as needing yearly attention. Replacement costs have been identified for the EPDM roofing systems that have exceeded a 15 year life.*

In the October 8, 2003 Maximus Report, page 2-1, it is noted that, if a levy was passed, *"The CMC also could preserve and maintain Union Terminal and update the facility's mechanicals at a faster pace. Investment into the facility will prevent further structural damage, save on maintenance costs, safe guard exhibits and collections from potential damage resulting from leaking roofs, and prevent damage or loss of the aerial easement above Dalton Avenue that may arise from deteriorating surface pavement conditions"*.

During our TLRC subcommittee site visit on February 27, 2008, numerous areas of water damage resulting from leaking roofs were again identified. The "Cincinnati Dining Room" is in need of renovation, including water seeping through the ceiling and a split in the paint in the middle of the ceiling at the high point of the room. There is other rainwater damage and active leaks in several areas of the Cincinnati Union Terminal. Parapet tiles at the top of the exterior walls, noted in the 2003 report, continue to leak, allowing precipitation through the joints and now possibly into the structural steel contained within the walls, perhaps causing oxidation issues. There have also been electrolysis issues in areas of the building where aluminum and copper roof components meet.

In contrast to the engineering and consultant recommendations issued in 2003, the CMC has reported a total of \$23,400 spent on temporary roof repairs since the passage of the 2004 levy. The Memorandum of Agreement between Hamilton County BOCC and the CMC calls for CMC expenditure of two million dollars per year on maintenance of building systems for each year of the agreement. The Glaserworks – HAWA ten year total cost of maintaining the exterior building systems, (parapets, masonry, stone façade, roof deck, window repair/replacement, exterior doors and roof membrane, tuck pointing) which included a 4% annual inflation increase factor, was calculated at \$5,867,107 in 2003. (reference, page 4 of the Glaserworks – HAWA Engineering report 08/21/03). The estimated cost of exterior building repairs has now been estimated at \$16,000,000 in 2007 dollars, which does not include any additional repairs now necessary to the water damaged ceilings and walls.

The October 4, 2006 FY07 Budget Recommendations included \$20,000 to cover potential TLRC mid-evaluation review costs. The TLRC is pleased to inform the BOCC that these unused funds are available for offset to taxpayers at the renewal of the CMC levy in 2009.

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The TLRC does recommend to the BOCC that long delayed renovation of all roofing systems becomes the immediate 2008 priority for the CMC.

Repair and renovation of the roofing systems have been the contractual responsibility of the Cincinnati Museum Center since September 24, 1999. Water leakage and potential structural damage were *clearly* identified in 2003 consultant reports to CMC and to the BOCC.

Repair and upkeep of the "historic Union Terminal" was a theme of the 2004 CMC levy campaign. The daily, exponentially increasing water damage to ceilings, interior walls and structural components should have been addressed after the passage of the March 2, 2004 issue.

Please contact me with any questions,

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Unger", with a stylized, flowing script.

Dan Unger
Hamilton County Tax Levy Review Committee
danunger@cinci.rr.com 513 532 9282

Attachments :